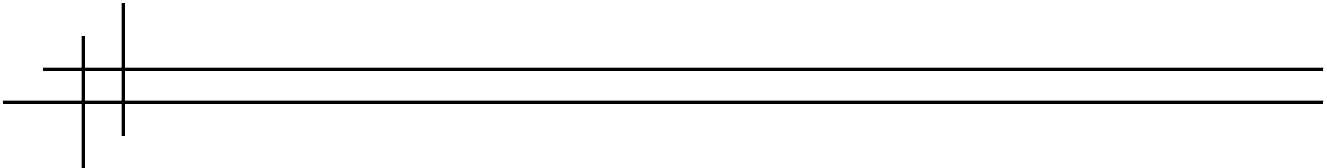




State of New Mexico  
**San Jon Municipal Schools**

**Annual Financial Report**  
June 30, 2019

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Clovis, New Mexico



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State of New Mexico  
**San Jon Municipal Schools**  
Official Roster  
June 30, 2019

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**Board of Education**

|                 |                |
|-----------------|----------------|
| Franklin Gibson | President      |
| Tommy Evans     | Vice-President |
| Cynthia Lee     | Secretary      |
| Pam Slater      | Member         |
| Dale Bone       | Member         |

**School Officials**

|                 |                           |
|-----------------|---------------------------|
| Janet Gladu     | Superintendent            |
| Lucy Heddlesten | Business Manager          |
| Janet Gladu     | Chief Procurement Officer |

Independent Auditor's Report

Mr. Brian S. Colón  
State Auditor of the State of New Mexico  
Board Members of the San Jon Municipal Schools

Mr. Colón and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general and major special revenue funds of San Jon Municipal Schools (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and Other Post-Employment Benefits (OPEB) and their related notes be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The other schedules presented as other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules presented as other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico  
August 28, 2019

## Financial Section

State of New Mexico  
**San Jon Municipal Schools**  
 Government Wide-Statement of Net Position  
 June 30, 2019

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Assets</b>   |                                    |
| Current Assets  |                                    |
| Cash and Cash Equivalents                                   | \$ 225,454                         |
| Taxes Receivable  | 13,170                             |
| Due From Grantor  | 89,353                             |
| Other Receivable  | 411                                |
| Inventory   | 1,916                              |
| Total Current Assets  | <u>330,304</u>                     |
| Noncurrent Assets   |                                    |
| Capital Assets  | 9,864,573                          |
| Less Accumulated Depreciation                               | <u>(4,885,273)</u>                 |
| Total Noncurrent Assets                                     | <u>4,979,300</u>                   |
| Total Assets  | <u>5,309,604</u>                   |
| <b>Deferred Outflows of Resources</b>                       |                                    |
| Deferred Outflows Related to Pensions                       |                                    |
| Actuarial Experience  | 3,916                              |
| Investment Experience                                       | 11,878                             |
| Changes of Assumptions                                      | 1,105,777                          |
| Changes in Proportion                                       | 270,194                            |
| Contributions Subsequent to Measurement Date                | <u>172,115</u>                     |
|   | <u>1,563,880</u>                   |
| Deferred Outflows Related to Other Post-Employment Benefits |                                    |
| Changes in Proportion                                       | 104,205                            |
| Contributions Subsequent to Measurement Date                | <u>24,776</u>                      |
|   | <u>128,981</u>                     |
| Total Deferred Outflows of Resources                        | <u>1,692,861</u>                   |
| <b>Liabilities</b>  |                                    |
| Current Liabilities   |                                    |
| Accounts Payable  | 5,943                              |
| Accrued Interest  | 773                                |
| Current Portion of Long-Term Debt                           | <u>30,000</u>                      |
| Total Current Liabilities                                   | <u>36,716</u>                      |
| Noncurrent Liabilities                                      |                                    |
| Bonds   | 0                                  |
| Pension Liability   | 5,365,369                          |
| Other Post-Employment Benefits Liability                    | <u>1,284,069</u>                   |
| Total Noncurrent Liabilities                                | <u>6,649,438</u>                   |
| Total Liabilities   | <u>6,686,154</u>                   |
| <b>Deferred Inflows of Resources</b>                        |                                    |
| Deferred Inflows Related to Pensions                        |                                    |
| Actuarial Experience  | 102,112                            |
| Changes in Proportion                                       | <u>73,738</u>                      |
|   | <u>\$ 175,850</u>                  |



State of New Mexico  
**San Jon Municipal Schools**  
 Government Wide-Statement of Net Position  
 June 30, 2019

---

|  |                     |
|--|---------------------|
| Deferred Inflows Related to Other Post-Employment Benefits |                     |
| Actuarial Experience                                       | \$ 76,025           |
| Investment Experience                                      | 16,025              |
| Changes of Assumptions                                     | 239,730             |
|  | <u>331,780</u>      |
| Total Deferred Inflows of Resources                        | <u>507,630</u>      |
| <br>Net Position   |                     |
| Net Investment in Capital Assets                           | 4,949,300           |
| Restricted for   |                     |
| Capital Projects   | 9,132               |
| Debt Service   | 10,861              |
| Unrestricted   | <u>(5,160,612)</u>  |
| Total Net Position   | <u>\$ (191,319)</u> |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 Government Wide-Statement of Activities  
 For the Year Ended June 30, 2019

| Functions/Programs  | Expenses            | Program Revenues        |  |  | Net (Expenses)<br>Revenue and<br>Changes in<br>Net Assets |
|---|---------------------|-------------------------|--|--|---|
|   |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |   |
| <b>Governmental Activities</b>                                      |                     |                         |  |  |   |
| Instruction   | \$ 2,062,236        | \$ 8,719                | \$ 202,637                               | \$ 0                                   | \$ (1,850,880)  |
| <b>Support Services</b>   |                     |                         |  |  |   |
| Students  | 143,373             | 0                       | 3,622                                    | 0                                      | (139,751)   |
| Instruction   | 36,478              | 0                       | 0  | 0                                      | (36,478)  |
| General Administration  | 344,078             | 0                       | 0  | 0                                      | (344,078)   |
| Central Services  | 164,169             | 0                       | 0  | 0                                      | (164,169)   |
| Operation of Plant  | 455,145             | 15,350                  | 9,000                                    | 0                                      | (430,795)   |
| Student Transportation  | 167,546             | 0                       | 160,122                                  | 0                                      | (7,424)   |
| Food Services Operations  | 167,453             | 15,014                  | 53,457                                   | 0                                      | (98,982)  |
| Community Service   | 30,417              | 0                       | 0  | 0                                      | (30,417)  |
| Interest Expense  | 3,823               | 0                       | 0  | 0                                      | (3,823)   |
| <b>Total Governmental Activities</b>                                | <b>\$ 3,574,718</b> | <b>\$ 39,083</b>        | <b>\$ 428,838</b>                        | <b>\$ 0</b>                            | <b>(3,106,797)</b>  |
| <b>General Revenues</b>   |                     |                         |  |  |   |
| <b>Taxes</b>  |                     |                         |  |  |   |
| Property Taxes, Levied for General Purposes                         |                     |                         |  |  | 136,453   |
| Property Taxes, Levied for Capital Projects                         |                     |                         |  |  | 60,695  |
| Property Taxes, Levied for Debt Service                             |                     |                         |  |  |   |
| <b>Federal and State aid not restricted to<br/>specific purpose</b> |                     |                         |  |  |   |
| General   |                     |                         |  |  | 1,949,193   |
| Capital   |                     |                         |  |  | 36,478  |
| <b>Miscellaneous</b>  |                     |                         |  |  |   |
| Subtotal, General Revenues  |                     |                         |  |  | <u>2,199,744</u>  |
| <b>Special Item</b>   |                     |                         |  |  |   |
| Loss on Disposition of Capital Asset                                |                     |                         |  |  | <u>(19,398)</u>   |
| <b>Change in Net Position</b>                                       |                     |                         |  |  |   |
|   |                     |                         |  |  | (926,451)   |
| <b>Net Position -Beginning</b>                                      |                     |                         |  |  |   |
|   |                     |                         |  |  | <u>735,132</u>  |
| <b>Net Position - Ending</b>  |                     |                         |  |  |   |
|   |                     |                         |  |  | <u><u>\$ (191,319)</u></u>                                |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2019

|  | General Fund      |                 |                |               |
|--|-------------------|-----------------|----------------|---------------|
|  | Operational       | Teacherage      | Transportation | Instructional |
|  | 11000             | 12000           | 13000          | 14000         |
| <b>Assets</b>  |                   |                 |                |               |
| Cash and Cash Equivalents                                    | \$ 168,219        | \$ 7,475        | \$ 0           | \$ 373        |
| Receivables  |                   |                 |                |               |
| Property Taxes   | 2,898             | 0               | 0              | 0             |
| Due From Grantor   | 0                 | 0               | 0              | 0             |
| Other  | 0                 | 0               | 0              | 0             |
| Interfund Balances   | 86,538            | 0               | 0              | 0             |
| Inventory  | 0                 | 0               | 0              | 0             |
| <b>Total Assets</b>  | <b>\$ 257,655</b> | <b>\$ 7,475</b> | <b>\$ 0</b>    | <b>\$ 373</b> |
| <b>Liabilities and Fund Balance</b>                          |                   |                 |                |               |
| <b>Liabilities</b>   |                   |                 |                |               |
| Accounts Payable   | \$ 5,147          | \$ 796          | \$ 0           | \$ 0          |
| Interfund Balances   | 0                 | 0               | 0              | 0             |
| <b>Total Liabilities</b>                                     | <b>5,147</b>      | <b>796</b>      | <b>0</b>       | <b>0</b>      |
| <b>Deferred Inflows of Resources</b>                         |                   |                 |                |               |
| Unavailable Revenue  | 2,871             | 0               | 0              | 0             |
| <b>Total Deferred Inflows of Resources</b>                   | <b>2,871</b>      | <b>0</b>        | <b>0</b>       | <b>0</b>      |
| <b>Fund Balances</b>   |                   |                 |                |               |
| Nonspendable-Inventory                                       | 0                 | 0               | 0              | 0             |
| Restricted for   |                   |                 |                |               |
| Special Revenue Funds  | 0                 | 0               | 0              | 0             |
| Capital Projects   | 0                 | 0               | 0              | 0             |
| Debt Service   | 0                 | 0               | 0              | 0             |
| Unassigned   | 249,637           | 6,679           | 0              | 373           |
| <b>Total Fund Balances</b>                                   | <b>249,637</b>    | <b>6,679</b>    | <b>0</b>       | <b>373</b>    |
| <b>Total Liabilities, Deferred Inflows and Fund Balances</b> | <b>\$ 254,784</b> | <b>\$ 7,475</b> | <b>\$ 0</b>    | <b>\$ 373</b> |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2019

|  | Special Revenue Funds |                                |                              |
|--|-----------------------|--------------------------------|------------------------------|
|  | Title I<br>24101      | IDEA B<br>Entitlement<br>24106 | NM Reads<br>to Lead<br>27114 |
| <b>Assets</b>  |                       |                                |                              |
| Cash and Cash Equivalents  | \$ 0                  | \$ 0                           | \$ 0                         |
| Receivables  |                       |                                |                              |
| Property Taxes   | 0                     | 0                              | 0                            |
| Due From Grantor   | 22,567                | 16,331                         | 16,057                       |
| Other  | 0                     | 0                              | 0                            |
| Interfund Balances   | 0                     | 0                              | 0                            |
| Inventory  | 0                     | 0                              | 0                            |
| <b>Total Assets</b>  | <b>\$ 22,567</b>      | <b>\$ 16,331</b>               | <b>\$ 16,057</b>             |
| <b>Liabilities and Fund Balance</b>                              |                       |                                |                              |
| <b>Liabilities</b>   |                       |                                |                              |
| Accounts Payable   | \$ 0                  | \$ 0                           | \$ 0                         |
| Interfund Balances   | 22,567                | 16,331                         | 16,057                       |
| <b>Total Liabilities</b>   | <b>22,567</b>         | <b>16,331</b>                  | <b>16,057</b>                |
| <b>Deferred Inflows of Resources</b>                             |                       |                                |                              |
| Unavailable Revenue  | 0                     | 0                              | 0                            |
| <b>Total Deferred Inflows of Resources</b>                       | <b>0</b>              | <b>0</b>                       | <b>0</b>                     |
| <b>Fund Balances</b>   |                       |                                |                              |
| Nonspendable-Inventory   | 0                     | 0                              | 0                            |
| Restricted for   |                       |                                |                              |
| Special Revenue Funds  | 0                     | 0                              | 0                            |
| Capital Projects   | 0                     | 0                              | 0                            |
| Debt Service   | 0                     | 0                              | 0                            |
| Unassigned   | 0                     | 0                              | 0                            |
| <b>Total Fund Balances</b>                                       | <b>0</b>              | <b>0</b>                       | <b>0</b>                     |
| <b>Total Liabilities, Deferred Inflows and<br/>Fund Balances</b> | <b>\$ 22,567</b>      | <b>\$ 16,331</b>               | <b>\$ 16,057</b>             |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
Governmental Funds  
Balance Sheet  
June 30, 2019

|  | Capital<br>Projects Fund           |           | Other<br>Governmental<br>Funds |           | Total<br>Governmental<br>Funds |
|--|------------------------------------|-----------|--------------------------------|-----------|--------------------------------|
|  | Senate Bill<br>Nine-State<br>31700 |           |                                |           |                                |
| <b>Assets</b>  |                                    |           |                                |           |                                |
| Cash and Cash Equivalents  | \$ 0                               | \$        | 49,387                         | \$        | 225,454                        |
| Receivables  |                                    |           |                                |           |                                |
| Property Taxes   | 0                                  |           | 10,272                         |           | 13,170                         |
| Due From Grantor   | 30,357                             |           | 4,041                          |           | 89,353                         |
| Other  | 0                                  |           | 411                            |           | 411                            |
| Interfund Balances   | 0                                  |           | 0                              |           | 86,538                         |
| Inventory  | 0                                  |           | 1,916                          |           | 1,916                          |
| <b>Total Assets</b>  | <b>\$ 30,357</b>                   | <b>\$</b> | <b>66,027</b>                  | <b>\$</b> | <b>416,842</b>                 |
| <b>Liabilities and Fund Balance</b>                              |                                    |           |                                |           |                                |
| <b>Liabilities</b>   |                                    |           |                                |           |                                |
| Accounts Payable   | \$ 0                               | \$        | 0                              | \$        | 5,943                          |
| Interfund Balances   | 30,357                             |           | 1,226                          |           | 86,538                         |
| <b>Total Liabilities</b>   | <b>30,357</b>                      |           | <b>1,226</b>                   |           | <b>92,481</b>                  |
| <b>Deferred Inflows of Resources</b>                             |                                    |           |                                |           |                                |
| Unavailable Revenue  |                                    |           | 9,800                          |           | 12,671                         |
| <b>Total Deferred Inflows of Resources</b>                       | <b>0</b>                           |           | <b>9,800</b>                   |           | <b>12,671</b>                  |
| <b>Fund Balances</b>   |                                    |           |                                |           |                                |
| Nonspendable-Inventory   | 0                                  |           | 1,916                          |           | 1,916                          |
| Restricted for   |                                    |           |                                |           |                                |
| Special Revenue Funds  | 0                                  |           | 33,092                         |           | 33,092                         |
| Capital Projects   | 0                                  |           | 9,132                          |           | 9,132                          |
| Debt Service   | 0                                  |           | 10,861                         |           | 10,861                         |
| Unassigned   | 0                                  |           | 0                              |           | 256,689                        |
| <b>Total Fund Balances</b>                                       | <b>0</b>                           |           | <b>55,001</b>                  |           | <b>311,690</b>                 |
| <b>Total Liabilities, Deferred Inflows and<br/>Fund Balances</b> | <b>\$ 30,357</b>                   | <b>\$</b> | <b>66,027</b>                  | <b>\$</b> | <b>413,971</b>                 |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position  
 June 30, 2019

---

Total Fund Balance - Governmental Funds \$ 311,690

Amounts reported for governmental activities in the Statement of Net Position are different because:

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 12,671

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

|                          |                    |           |
|--------------------------|--------------------|-----------|
| Capital Assets           | \$ 9,864,573       |           |
| Accumulated Depreciation | <u>(4,885,273)</u> | 4,979,300 |

Deferred Outflows and Inflows Related to Pensions and Other Post-Employment Benefits (OPEB) are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

|                                       |                  |           |
|---------------------------------------|------------------|-----------|
| Deferred Outflows Related to Pensions | 1,563,880        |           |
| Deferred Outflows Related to OPEB     | 128,981          |           |
| Deferred Inflows Related to Pensions  | (175,850)        |           |
| Deferred Inflows Related to OPEB      | <u>(331,780)</u> | 1,185,231 |

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

|                           |                    |                    |
|---------------------------|--------------------|--------------------|
| Accrued interest on bonds | (773)              |                    |
| Bonds payable             | (30,000)           |                    |
| Pension Liability         | (5,365,369)        |                    |
| OPEB Liability            | <u>(1,284,069)</u> | <u>(6,680,211)</u> |

Total Net Position - Governmental Activities \$ (191,319)

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
Governmental Funds  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 2019

|  | General Fund      |                 |                |                    |
|--|-------------------|-----------------|----------------|--------------------|
|  | Operational       | Teacherage      | Transportation | Instructional      |
|  | 11000             | 12000           | 13000          | Materials<br>14000 |
| <b>Revenues</b>  |                   |                 |                |                    |
| Property Taxes   | \$ 17,580         | \$ 0            | \$ 0           | \$ 0               |
| Fees   | 113               | 15,350          | 0              | 0                  |
| State & Local Grants   | 1,949,193         | 0               | 160,122        | 4,662              |
| Federal Grants   | 0                 | 0               | 0              | 0                  |
| Miscellaneous  | 16,925            | 0               | 0              | 0                  |
| <b>Total Revenues</b>  | <b>1,983,811</b>  | <b>15,350</b>   | <b>160,122</b> | <b>4,662</b>       |
| <b>Expenditures</b>  |                   |                 |                |                    |
| <b>Current</b>   |                   |                 |                |                    |
| Instruction  | 1,047,709         | 0               | 0              | 4,741              |
| <b>Support Services</b>                                      |                   |                 |                |                    |
| Students   | 114,883           | 0               | 0              | 0                  |
| Instruction  | 24,221            | 0               | 0              | 0                  |
| General Administration                                       | 243,023           | 0               | 0              | 0                  |
| Central Services   | 125,933           | 0               | 0              | 0                  |
| Operation of Plant   | 314,537           | 13,031          | 0              | 0                  |
| Student Transportation                                       | 0                 | 0               | 160,122        | 0                  |
| Food Services  | 62,209            | 0               | 0              | 0                  |
| Community Service  | 2,685             | 0               | 0              | 0                  |
| Capital Outlay   | 0                 | 0               | 0              | 0                  |
| <b>Debt Service</b>  |                   |                 |                |                    |
| Principal  | 0                 | 0               | 0              | 0                  |
| Interest   | 0                 | 0               | 0              | 0                  |
| <b>Total Expenditures</b>                                    | <b>1,935,200</b>  | <b>13,031</b>   | <b>160,122</b> | <b>4,741</b>       |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>48,611</b>     | <b>2,319</b>    | <b>0</b>       | <b>(79)</b>        |
| <b>Fund Balances at Beginning of Year</b>                    | <b>201,026</b>    | <b>4,360</b>    | <b>0</b>       | <b>452</b>         |
| <b>Fund Balances at End of Year</b>                          | <b>\$ 249,637</b> | <b>\$ 6,679</b> | <b>\$ 0</b>    | <b>\$ 373</b>      |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
Governmental Funds  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 2019

|  | Special Revenue Funds |                                |                              |
|--|-----------------------|--------------------------------|------------------------------|
|  | Title I<br>24101      | IDEA B<br>Entitlement<br>24106 | NM Reads<br>to Lead<br>27114 |
| <b>Revenues</b>                                      |                       |                                |                              |
| Property Taxes                                       | \$ 0                  | \$ 0                           | \$ 0                         |
| Fees   | 0                     | 0                              | 0                            |
| State & Local Grants                                 | 0                     | 0                              | 55,054                       |
| Federal Grants                                       | 38,140                | 43,672                         | 0                            |
| Miscellaneous  | 0                     | 0                              | 0                            |
| <b>Total Revenues</b>                                | <b>38,140</b>         | <b>43,672</b>                  | <b>55,054</b>                |
| <b>Expenditures</b>                                  |                       |                                |                              |
| <b>Current</b>                                       |                       |                                |                              |
| Instruction  | 38,140                | 43,672                         | 55,054                       |
| Support Services                                     |                       |                                |                              |
| Students   | 0                     | 0                              | 0                            |
| Instruction  | 0                     | 0                              | 0                            |
| General Administration                               | 0                     | 0                              | 0                            |
| Central Services                                     | 0                     | 0                              | 0                            |
| Operation of Plant                                   | 0                     | 0                              | 0                            |
| Student Transportation                               | 0                     | 0                              | 0                            |
| Food Services  | 0                     | 0                              | 0                            |
| Community Service                                    | 0                     | 0                              | 0                            |
| Capital Outlay                                       | 0                     | 0                              | 0                            |
| Debt Service   |                       |                                |                              |
| Principal  | 0                     | 0                              | 0                            |
| Interest   | 0                     | 0                              | 0                            |
| <b>Total Expenditures</b>                            | <b>38,140</b>         | <b>43,672</b>                  | <b>55,054</b>                |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 0                     | 0                              | 0                            |
| Fund Balances at Beginning of Year                   | 0                     | 0                              | 0                            |
| Fund Balances at End of Year                         | \$ 0                  | \$ 0                           | \$ 0                         |

The notes to the financial statements are an integral part of this statement.



State of New Mexico  
**San Jon Municipal Schools**  
Governmental Funds  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 2019

|  | Capital<br>Projects Fund           |                                | Total<br>Governmental<br>Funds |
|--|------------------------------------|--------------------------------|--------------------------------|
|  | Senate Bill<br>Nine-State<br>31700 | Other<br>Governmental<br>Funds | Governmental<br>Funds          |
| <b>Revenues</b>                                      |                                    |                                |                                |
| Property Taxes                                       | \$ 0                               | \$ 177,058                     | \$ 194,638                     |
| Fees   | 0                                  | 23,620                         | 39,083                         |
| State & Local Grants                                 | 36,478                             | 31,521                         | 2,237,030                      |
| Federal Grants                                       | 0                                  | 95,667                         | 177,479                        |
| Miscellaneous  | 0                                  | 0                              | 16,925                         |
| <b>Total Revenues</b>                                | <u>36,478</u>                      | <u>327,866</u>                 | <u>2,665,155</u>               |
| <b>Expenditures</b>                                  |                                    |                                |                                |
| <b>Current</b>                                       |                                    |                                |                                |
| Instruction  | 0                                  | 133,774                        | 1,323,090                      |
| Support Services                                     |                                    |                                |                                |
| Students   | 0                                  | 3,622                          | 118,505                        |
| Instruction  | 0                                  | 0                              | 24,221                         |
| General Administration                               | 0                                  | 909                            | 243,932                        |
| Central Services                                     | 0                                  | 0                              | 125,933                        |
| Operation of Plant                                   | 10,518                             | 44,342                         | 382,428                        |
| Student Transportation                               | 0                                  | 0                              | 160,122                        |
| Food Services  | 0                                  | 65,152                         | 127,361                        |
| Community Service                                    | 0                                  | 0                              | 2,685                          |
| Capital Outlay                                       | 25,960                             | 64,549                         | 90,509                         |
| Debt Service   |                                    |                                |                                |
| Principal  | 0                                  | 60,000                         | 60,000                         |
| Interest   | 0                                  | 4,575                          | 4,575                          |
| <b>Total Expenditures</b>                            | <u>36,478</u>                      | <u>376,923</u>                 | <u>2,663,361</u>               |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 0                                  | (49,057)                       | 1,794                          |
| Fund Balances at Beginning of Year                   | <u>0</u>                           | <u>104,058</u>                 | <u>309,896</u>                 |
| Fund Balances at End of Year                         | <u>\$ 0</u>                        | <u>\$ 55,001</u>               | <u>\$ 311,690</u>              |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 To the Statement of Activities  
 June 30, 2019

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Excess (Deficiency) of Revenues Over Expenditures \$ 1,794

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.

|  |               |       |
|--|---------------|-------|
| Property Taxes Receivable, June 30, 2018 | \$ (10,161)   |       |
| Property Taxes Receivable, June 30, 2019 | <u>12,671</u> | 2,510 |

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

|                                      |               |           |
|--------------------------------------|---------------|-----------|
| Depreciation expense                 | \$ (238,132)  |           |
| Loss on Disposition of Capital Asset | (19,398)      |           |
| Capital Outlays                      | <u>90,509</u> | (167,021) |

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

60,000

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

|                                 |              |     |
|---------------------------------|--------------|-----|
| Accrued Interest, June 30, 2018 | 1,525        |     |
| Accrued Interest, June 30, 2019 | <u>(773)</u> | 752 |

Pension and Other Post Employment Benefits (OPEB) contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension and OPEB expenses are reported in the Statement of Activities but not in the governmental funds.

|                       |                 |                  |
|-----------------------|-----------------|------------------|
| Pension Contributions | 172,115         |                  |
| OPEB Contributions    | 24,776          |                  |
| Pension Expense       | (1,001,096)     |                  |
| OPEB Expense          | <u>(20,281)</u> | <u>(824,486)</u> |

Changes in Net Position of Governmental Activities \$ (926,451)

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 General Fund-Operational-11000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2019

|                               | Budgeted Amounts  |                   | Actual<br>(Budgetary<br>Basis) | Variance<br>with Final<br>Budget-<br>Over (Under) |
|-------------------------------|-------------------|-------------------|--------------------------------|---|
|                               | Original          | Final             |                                |   |
| <b>Revenues</b>               |                   |                   |                                |   |
| Property Taxes                | \$ 8,206          | \$ 8,206          | \$ 17,570                      | \$ 9,364  |
| Fees                          | 500               | 500               | 113                            | (387)   |
| State & Local Grants          | 1,923,254         | 1,956,773         | 1,949,193                      | (7,580)   |
| Miscellaneous                 | 6,300             | 6,300             | 16,925                         | 10,625  |
| Total Revenues                | <u>1,938,260</u>  | <u>1,971,779</u>  | <u>1,983,801</u>               | <u>12,022</u>                                     |
| <b>Expenditures</b>           |                   |                   |                                |   |
| <b>Instruction</b>            |                   |                   |                                |   |
| Personnel Services            | 765,307           | 765,288           | 744,556                        | 20,732  |
| Employee Benefits             | 316,283           | 316,303           | 241,780                        | 74,523  |
| Professional & Tech Services  | 2,000             | 6,000             | 500                            | 5,500   |
| Other Purchased Services      | 35,000            | 37,000            | 20,057                         | 16,943  |
| Supplies                      | 32,000            | 48,419            | 29,861                         | 18,558  |
| Supply Assets                 | 0                 | 12,000            | 11,130                         | 870   |
| Total Instruction             | <u>1,150,590</u>  | <u>1,185,010</u>  | <u>1,047,884</u>               | <u>137,126</u>                                    |
| <b>Support Services</b>       |                   |                   |                                |   |
| <b>Students</b>               |                   |                   |                                |   |
| Personnel Services            | 33,173            | 33,174            | 29,535                         | 3,639   |
| Employee Benefits             | 17,799            | 17,814            | 16,701                         | 1,113   |
| Professional & Tech Services  | 61,000            | 68,731            | 68,261                         | 470   |
| Other Purchased Services      | 1,000             | 1,000             | 0                              | 1,000   |
| Supplies                      | 2,000             | 754               | 386                            | 368   |
| Total Students                | <u>114,972</u>    | <u>121,473</u>    | <u>114,883</u>                 | <u>6,590</u>                                      |
| <b>Instruction</b>            |                   |                   |                                |   |
| Personnel Services            | 17,487            | 17,487            | 17,487                         | 0   |
| Employee Benefits             | 4,187             | 4,187             | 4,183                          | 4   |
| Professional & Tech Services  | 7,000             | 7,000             | 1,413                          | 5,587   |
| Supplies                      | 2,000             | 2,000             | 1,138                          | 862   |
| Total Instruction             | <u>30,674</u>     | <u>30,674</u>     | <u>24,221</u>                  | <u>6,453</u>                                      |
| <b>General Administration</b> |                   |                   |                                |   |
| Personnel Services            | 151,730           | 152,230           | 152,110                        | 120   |
| Employee Benefits             | 49,226            | 49,226            | 48,201                         | 1,025   |
| Professional & Tech Services  | 36,669            | 37,503            | 34,515                         | 2,988   |
| Other Purchased Services      | 7,130             | 9,130             | 4,398                          | 4,732   |
| Supplies                      | 1,552             | 3,552             | 3,283                          | 269   |
| Supply Assets                 | 0                 | 1,500             | 1,378                          | 122   |
| Total General Administration  | <u>\$ 246,307</u> | <u>\$ 253,141</u> | <u>\$ 243,885</u>              | <u>\$ 9,256</u>                                   |

State of New Mexico  
**San Jon Municipal Schools**  
 General Fund-Operational-11000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2019

|                               | Budgeted Amounts    |                     | Actual<br>(Budgetary<br>Basis) | Variance<br>with Final<br>Budget-<br>Over (Under) |
|-------------------------------|---------------------|---------------------|--------------------------------|---|
|                               | Original            | Final               |                                |   |
| Central Services              |                     |                     |                                |   |
| Personnel Services            | \$ 81,847           | 81,848              | \$ 81,847                      | \$ 1  |
| Employee Benefits             | 34,585              | 34,685              | 28,967                         | 5,718   |
| Professional & Tech Services  | 12,918              | 12,918              | 11,877                         | 1,041   |
| Other Purchased Services      | 1,500               | 1,500               | 900                            | 600   |
| Supplies                      | 1,000               | 4,000               | 1,470                          | 2,530   |
| Supply Assets                 | 2,792               | 2,792               | 873                            | 1,919   |
| Total Central Services        | <u>134,642</u>      | <u>137,743</u>      | <u>125,934</u>                 | <u>11,809</u>                                     |
| Operation of Plant            |                     |                     |                                |   |
| Personnel Services            | 79,511              | 42,319              | 36,490                         | 5,829   |
| Employee Benefits             | 36,209              | 36,221              | 19,385                         | 16,836  |
| Purchased Property Services   | 159,500             | 161,404             | 139,983                        | 21,421  |
| Other Purchased Services      | 83,303              | 120,604             | 107,711                        | 12,893  |
| Supplies                      | 12,000              | 17,000              | 12,115                         | 4,885   |
| Total Operation of Plant      | <u>370,523</u>      | <u>377,548</u>      | <u>315,684</u>                 | <u>61,864</u>                                     |
| Other Support Services        |                     |                     |                                |   |
| Other Services                | 1,305               | 1,305               | 0                              | 1,305   |
| Total Other Support Services  | <u>1,305</u>        | <u>1,305</u>        | <u>0</u>                       | <u>1,305</u>                                      |
| Total Support Services        | <u>898,423</u>      | <u>921,884</u>      | <u>824,607</u>                 | <u>97,277</u>                                     |
| Food Service Operations       |                     |                     |                                |   |
| Personnel Services            | 21,367              | 21,367              | 21,007                         | 360   |
| Employee Benefits             | 23,187              | 23,187              | 22,613                         | 574   |
| Other Purchased Services      | 1,000               | 1,000               | 146                            | 854   |
| Supplies                      | 21,500              | 21,500              | 18,444                         | 3,056   |
| Total Food Service Operations | <u>67,054</u>       | <u>67,054</u>       | <u>62,210</u>                  | <u>4,844</u>                                      |
| Community Service             |                     |                     |                                |   |
| Personnel Services            | 2,000               | 2,000               | 170                            | 1,830   |
| Employee Benefits             | 163                 | 163                 | 15                             | 148   |
| Supplies                      | 4,000               | 4,000               | 2,500                          | 1,500   |
| Total Community Service       | <u>6,163</u>        | <u>6,163</u>        | <u>2,685</u>                   | <u>3,478</u>                                      |
| Total Expenditures            | <u>\$ 2,122,230</u> | <u>\$ 2,180,111</u> | <u>\$ 1,937,386</u>            | <u>\$ 242,725</u>                                 |

State of New Mexico

**San Jon Municipal Schools**

General Fund-Operational-11000

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

|  | Budgeted Amounts |                | Actual<br>(Budgetary<br>Basis) | Variance<br>with Final<br>Budget-<br>Over (Under) |
|--|------------------|----------------|--------------------------------|---|
|  | Original         | Final          |                                |   |
| Excess (Deficiency) of Revenues<br>Over Expenditures         | \$ (183,970)     | \$ (208,332)   | \$ 46,415                      | \$ 254,747  |
| Cash Balance Beginning of Year                               | <u>208,342</u>   | <u>208,342</u> | <u>208,342</u>                 | <u>0</u>  |
| Cash Balance End of Year                                     | <u>\$ 24,372</u> | <u>\$ 10</u>   | <u>\$ 254,757</u>              | <u>\$ 254,747</u>                                 |
| Reconciliation of Budgetary Basis to GAAP Basis              |                  |                |                                |   |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis |                  |                | \$ 46,415                      |   |
| Net Change in Taxes Receivable                               |                  |                | 2,258                          |   |
| Net Change in Accounts Payable                               |                  |                | 2,185                          |   |
| Net Change in Deferred Taxes                                 |                  |                | <u>(2,247)</u>                 |   |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis |                  |                | <u>\$ 48,611</u>               |   |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 General Fund-Teacherage-12000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2019

|  | Budgeted Amounts |               | Actual<br>(Budgetary<br>Basis) | Variance<br>with Final<br>Budget-<br>Over (Under) |
|--|------------------|---------------|--------------------------------|---|
|  | Original         | Final         |                                |   |
| Revenues   |                  |               |                                |   |
| Rentals  | \$ 16,800        | \$ 16,800     | 15,350                         | \$ (1,450)  |
| Total Revenues   | <u>16,800</u>    | <u>16,800</u> | <u>15,350</u>                  | <u>(1,450)</u>                                    |
| Expenditures   |                  |               |                                |   |
| Operation of Plant   |                  |               |                                |   |
| Purchased Property Services                                  | 19,000           | 19,000        | 11,180                         | 7,820   |
| Supplies   | <u>1,814</u>     | <u>2,764</u>  | <u>1,659</u>                   | <u>1,105</u>                                      |
| Total Operation of Plant                                     | <u>20,814</u>    | <u>21,764</u> | <u>12,839</u>                  | <u>8,925</u>                                      |
| Total Expenditures   | <u>20,814</u>    | <u>21,764</u> | <u>12,839</u>                  | <u>8,925</u>                                      |
| Excess (Deficiency) of Revenues<br>Over Expenditures         | (4,014)          | (4,964)       | 2,511                          | 7,475   |
| Cash Balance Beginning of Year                               | <u>4,964</u>     | <u>4,964</u>  | <u>4,964</u>                   | <u>0</u>  |
| Cash Balance End of Year                                     | <u>\$ 950</u>    | <u>\$ 0</u>   | <u>\$ 7,475</u>                | <u>\$ 7,475</u>                                   |
| Reconciliation of Budgetary Basis to GAAP Basis              |                  |               |                                |   |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis |                  |               | \$ 2,511                       |   |
| Net Change in Accounts Payable                               |                  |               | <u>(192)</u>                   |   |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis |                  |               | <u>\$ 2,319</u>                |   |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 General Fund-Transportation-13000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2019

|  | Budgeted Amounts |                | Actual<br>(Budgetary<br>Basis) | Variance<br>with Final<br>Budget-<br>Over (Under) |
|--|------------------|----------------|--------------------------------|---|
|  | Original         | Final          |                                |   |
| <b>Revenues</b>  |                  |                |                                |   |
| State & Local Grants   | \$ 160,122       | \$ 160,122     | \$ 160,122                     | \$ 0  |
| Total Revenues   | <u>160,122</u>   | <u>160,122</u> | <u>160,122</u>                 | <u>0</u>  |
| <b>Expenditures</b>  |                  |                |                                |   |
| <b>Support Services</b>                                      |                  |                |                                |   |
| Student Transportation                                       |                  |                |                                |   |
| Personnel Services   | 11,804           | 11,804         | 11,804                         | 0   |
| Employee Benefits  | 2,782            | 2,712          | 2,712                          | 0   |
| Professional & Tech Services                                 | 600              | 425            | 425                            | 0   |
| Purchased Property Services                                  | 38,230           | 38,230         | 38,230                         | 0   |
| Other Purchased Services                                     | 104,606          | 104,043        | 104,043                        | 0   |
| Supplies   | 2,100            | 2,908          | 2,908                          | 0   |
| Total Student Transportation                                 | <u>160,122</u>   | <u>160,122</u> | <u>160,122</u>                 | <u>0</u>  |
| Total Support Services                                       | <u>160,122</u>   | <u>160,122</u> | <u>160,122</u>                 | <u>0</u>  |
| Total Expenditures   | <u>160,122</u>   | <u>160,122</u> | <u>160,122</u>                 | <u>0</u>  |
| Excess (Deficiency) of Revenues<br>Over Expenditures         | 0                | 0              | 0                              | 0   |
| Cash Balance Beginning of Year                               | <u>0</u>         | <u>0</u>       | <u>0</u>                       | <u>0</u>  |
| Cash Balance End of Year                                     | <u>\$ 0</u>      | <u>\$ 0</u>    | <u>\$ 0</u>                    | <u>\$ 0</u>                                       |
| <b>Reconciliation of Budgetary Basis to GAAP Basis</b>       |                  |                |                                |   |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis |                  |                | \$ 0                           |   |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis |                  |                | <u>\$ 0</u>                    |   |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 General Fund-Instructional Materials-14000  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2019

|  | Budgeted Amounts |              | Actual<br>(Budgetary<br>Basis) | Variance<br>with Final<br>Budget-<br>Over (Under) |
|--|------------------|--------------|--------------------------------|---|
|  | Original         | Final        |                                |   |
| <b>Revenues</b>  |                  |              |                                |   |
| State & Local Grants   | \$ 4,819         | \$ 4,661     | \$ 4,662                       | \$ 1  |
| Total Revenues   | <u>4,819</u>     | <u>4,661</u> | <u>4,662</u>                   | <u>1</u>  |
| <b>Expenditures</b>  |                  |              |                                |   |
| <b>Instruction</b>   |                  |              |                                |   |
| Supplies   | 4,819            | 5,113        | 4,741                          | 372   |
| Total Instruction  | <u>4,819</u>     | <u>5,113</u> | <u>4,741</u>                   | <u>372</u>  |
| Total Expenditures   | <u>4,819</u>     | <u>5,113</u> | <u>4,741</u>                   | <u>372</u>  |
| Excess (Deficiency) of Revenues<br>Over Expenditures         | 0                | (452)        | (79)                           | 373   |
| Cash Balance Beginning of Year                               | <u>452</u>       | <u>452</u>   | <u>452</u>                     | <u>0</u>  |
| Cash Balance End of Year                                     | <u>\$ 452</u>    | <u>\$ 0</u>  | <u>\$ 373</u>                  | <u>\$ 373</u>                                     |
| <b>Reconciliation of Budgetary Basis to GAAP Basis</b>       |                  |              |                                |   |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis |                  |              | \$ (79)                        |   |
| Net Change in Accounts Payable                               |                  |              | <u>0</u>                       |   |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis |                  |              | <u>\$ (79)</u>                 |   |

The notes to the financial statements are an integral part of this statement.



State of New Mexico  
**San Jon Municipal Schools**  
Special Revenue Fund-Title I-24101  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2019

|  | Budgeted Amounts |                 | Actual<br>(Budgetary<br>Basis) | Variance<br>with Final<br>Budget-<br>Over (Under) |
|--|------------------|-----------------|--------------------------------|---|
|  | Original         | Final           |                                |   |
| <b>Revenues</b>  |                  |                 |                                |   |
| Federal Grant  | \$ 50,740        | \$ 50,740       | \$ 27,567                      | \$ (23,173)                                       |
| Total Revenues   | <u>50,740</u>    | <u>50,740</u>   | <u>27,567</u>                  | <u>(23,173)</u>                                   |
| <b>Expenditures</b>  |                  |                 |                                |   |
| <b>Instruction</b>   |                  |                 |                                |   |
| Personnel Services   | 22,768           | 22,768          | 22,428                         | 340   |
| Employee Benefits  | 14,225           | 14,176          | 13,911                         | 265   |
| Supplies   | 1,754            | 1,803           | 1,802                          | 1   |
| Total Instruction  | <u>38,747</u>    | <u>38,747</u>   | <u>38,141</u>                  | <u>606</u>  |
| Total Expenditures   | <u>38,747</u>    | <u>38,747</u>   | <u>38,141</u>                  | <u>606</u>  |
| Excess (Deficiency) of Revenues<br>Over Expenditures         | 11,993           | 11,993          | (10,574)                       | (22,567)  |
| Cash Balance Beginning of Year                               | <u>(11,993)</u>  | <u>(11,993)</u> | <u>(11,993)</u>                | <u>0</u>  |
| Cash Balance End of Year                                     | <u>\$ 0</u>      | <u>\$ 0</u>     | <u>\$ (22,567)</u>             | <u>\$ (22,567)</u>                                |
| <b>Reconciliation of Budgetary Basis to GAAP Basis</b>       |                  |                 |                                |   |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis |                  |                 | \$ (10,574)                    |   |
| Net Change in Due from Grantor                               |                  |                 | <u>10,574</u>                  |   |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis |                  |                 | <u>\$ 0</u>                    |   |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
Special Revenue Fund-IDEA B-Entitlement-24106  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2019

|  | Budgeted Amounts |                 | Actual<br>(Budgetary<br>Basis) | Variance<br>with Final<br>Budget-<br>Over (Under) |
|--|------------------|-----------------|--------------------------------|---|
|  | Original         | Final           |                                |   |
| <b>Revenues</b>  |                  |                 |                                |   |
| Federal Grant  | \$ 10,794        | \$ 57,036       | \$ 38,134                      | \$ (18,902)                                       |
| Total Revenues   | <u>10,794</u>    | <u>57,036</u>   | <u>38,134</u>                  | <u>(18,902)</u>                                   |
| <b>Expenditures</b>  |                  |                 |                                |   |
| <b>Instruction</b>   |                  |                 |                                |   |
| Personnel Services   | 0                | 21,810          | 22,309                         | (499)   |
| Employee Benefits  | 0                | 21,810          | 21,241                         | 569   |
| Professional & Tech Services                                 | 0                | 501             | 0                              | 501   |
| Other Purchased Services                                     | 0                | 2,000           | 0                              | 2,000   |
| Supplies   | 0                | 121             | 121                            | 0   |
| Total Instruction  | <u>0</u>         | <u>46,242</u>   | <u>43,671</u>                  | <u>2,571</u>                                      |
| Total Expenditures   | <u>0</u>         | <u>46,242</u>   | <u>43,671</u>                  | <u>2,571</u>                                      |
| Excess (Deficiency) of Revenues<br>Over Expenditures         | 10,794           | 10,794          | (5,537)                        | (16,331)  |
| Cash Balance Beginning of Year                               | <u>(10,794)</u>  | <u>(10,794)</u> | <u>(10,794)</u>                | <u>0</u>  |
| Cash Balance End of Year                                     | <u>\$ 0</u>      | <u>\$ 0</u>     | <u>\$ (16,331)</u>             | <u>\$ (16,331)</u>                                |
| <b>Reconciliation of Budgetary Basis to GAAP Basis</b>       |                  |                 |                                |   |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis |                  |                 | \$ (5,537)                     |   |
| Net Change in Due from Grantor                               |                  |                 | <u>5,537</u>                   |   |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis |                  |                 | <u>\$ 0</u>                    |   |

The notes to the financial statements are an integral part of this statement.

State of New Mexico

**San Jon Municipal Schools**

Special Revenue Fund-NM Reads to Lead-27114

Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

|  | Budgeted Amounts |                 | Actual<br>(Budgetary<br>Basis) | Variance<br>with Final<br>Budget-<br>Over (Under) |
|--|------------------|-----------------|--------------------------------|---|
|  | Original         | Final           |                                |   |
| <b>Revenues</b>  |                  |                 |                                |   |
| State Grant  | \$ 80,030        | \$ 80,030       | \$ 63,619                      | \$ (16,411)                                       |
| Total Revenues   | <u>80,030</u>    | <u>80,030</u>   | <u>63,619</u>                  | <u>(16,411)</u>                                   |
| <b>Expenditures</b>  |                  |                 |                                |   |
| <b>Instruction</b>   |                  |                 |                                |   |
| Personnel Services   | 44,507           | 44,507          | 44,507                         | 0   |
| Employee Benefits  | 10,551           | 10,551          | 10,547                         | 4   |
| Supplies   | 350              | 350             | 0                              | 350   |
| Total Instruction  | <u>55,408</u>    | <u>55,408</u>   | <u>55,054</u>                  | <u>354</u>  |
| Total Expenditures   | <u>55,408</u>    | <u>55,408</u>   | <u>55,054</u>                  | <u>354</u>  |
| Excess (Deficiency) of Revenues<br>Over Expenditures         | 24,622           | 24,622          | 8,565                          | (16,057)  |
| Cash Balance Beginning of Year                               | <u>(24,622)</u>  | <u>(24,622)</u> | <u>(24,622)</u>                | <u>0</u>  |
| Cash Balance End of Year                                     | <u>\$ 0</u>      | <u>\$ 0</u>     | <u>\$ (16,057)</u>             | <u>\$ (16,057)</u>                                |
| <b>Reconciliation of Budgetary Basis to GAAP Basis</b>       |                  |                 |                                |   |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis |                  |                 | \$ 8,565                       |   |
| Net Change in Due from Grantor                               |                  |                 | <u>(8,565)</u>                 |   |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis |                  |                 | <u>\$ 0</u>                    |   |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
Statement of Fiduciary Assets and Liabilities-Agency Funds  
June 30, 2019

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|                          | <u>Agency<br/>Funds</u> |
|--------------------------|-------------------------|
| Assets                   |                         |
| Cash in Bank             | \$ 62,763               |
| Total Assets             | <u>\$ 62,763</u>        |
| Liabilities              |                         |
| Deposits Held for Others | \$ 62,763               |
| Total Liabilities        | <u>\$ 62,763</u>        |

The notes to the financial statements are an integral part of this statement.

### **Summary of Significant Accounting Policies**

The financial statements of the San Jon Municipal School (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

### **Financial Reporting Entity**

The District has been in existence since the early nineteen hundreds, and is currently operating under the provisions of the Public School District Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The District operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below.

### **Governmental Funds**

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt.

General Fund - The General Fund accounts for all revenues and expenditures of the District not encompassed within other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the District.

Debt Service Fund - The Debt Service Fund is used to account for the resources for, and the payment of, principal, interest and related costs.

***Fiduciary Fund Type***

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This account is accounted for using the economic resources measurement focus and the accrual basis of accounting.

**Major Funds**

The District reports the following major governmental funds:

**General Fund (11000)(12000)(13000)(14000)**

The General Fund consist of four sub funds. The first is the Operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The Teacherage accounts for rents collected from teachers and related expenditures. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

**Major Special Revenue Funds**

**Title I (24101).** To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

**IDEA B Entitlement (24106).** To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

**NM Reads to Lead (27114).** To account for revenue and expenditures received from a state grant for the purpose of improving skills of young students in the area of reading. The fund was created by the authority of state grant provisions.

**Major Capital Projects Fund**

**Senate Bill Nine-State (31700).** The revenues are derived from a state grant. Expenditures are restricted to capital improvements and maintenance of the facilities.

**Measurement Focus and Basis of Accounting**

***Government-Wide Financial Statements (GWFS)***

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

#### Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, Transportation, Food Service, Special Revenue Funds such as special education as well as others, and 3) program specific capital grants and contributions.

### ***Fund Financial Statements (FFS)***

#### Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

#### Revenues

Taxes. Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property Tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied.

Grants. Government mandated nonexchange transaction and voluntary nonexchange transactions. Recipients should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available.

#### Revenue Recognition for Grants.

Eligibility requirements for government-mandated and voluntary nonexchange transaction comprise one or more of the following:

1. Required characteristics of recipients. The recipient has the characteristics specified by the provider (are required to be school districts).
2. Time requirements. Time requirements specified by enabling legislation or the provider have been met (period when the resources are required to be used).

3. Reimbursements. The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.

4. Contingencies. The providers offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

*Entitlement and shared revenues* (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

*Other receipts* become measurable and available when cash is received by the District and are recognized as revenue at that time.

#### Expenditures

*Salaries* are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore are not accrued. Salaries for the twelve month employees payroll are accrued.

#### Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

#### Basis of Budgeting

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

The District follows the following procedures in establishing data reflected in the financial statements:

1. Prior to April 15, (unless a later date is fixed by the Superintendent of Public Instruction) the local school board submits to the District Budget Planning Unit (SBPU) of the New Mexico Public Education Department an estimated budget for the District for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.



4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
5. No school board or officer or employee of the District shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the *Manual of Procedures Public School Accounting and Budgeting*. Such changes are initiated by the District and approved by the SBPU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

Budget comparison schedules are no longer required for non-major funds and are not included.

#### Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The District is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

#### Investments

All money not immediately necessary for the public uses of the District may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

#### Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

#### Property Taxes

The County collects the District's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the District on a monthly basis. The District accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

#### Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

#### Inventories and Prepaid Items

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

#### Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

If there are any construction projects funded by the NM Public School Facilities Authority they are included in the appropriate capital projects fund and in the capital assets.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

|  |             |
|--|-------------|
| Buildings & Improvements   | 20-50 Years |
| Equipment, Vehicles, Information Technology Equipment,<br>Software & Library Books | 2-15 Years  |

#### Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet.

#### Compensated Absences

The District contracts with all employees on an annual basis. A terminated employee is paid through the date of dismissal in accordance with their contract. Due to this practice, no liability is reported for unpaid vacation or accumulated sick leave. As no payment is required upon termination of serve by employees.

#### Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The District does not have any activity in short-term debt.

#### Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net of debt proceeds received, are reported as debt service expenditures.

#### Restricted Net Position

For the government-wide statement of net position, net position is reported as restricted when constraints are placed are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available it will first be applied to restricted resources.

#### Fund Balances of Fund Financial Statements

Nonspendable Fund Balance is a category that is not converted into cash such as inventory.

Restricted fund balance includes amounts that have constraints placed on their use that are (a) externally imposed by grantors, laws or regulation of other governments or (b) imposed by enabling legislation.

Committed fund balance is a classification for governmental fund balance reporting that includes amounts that can only be used for specific purposes pursuant to constraints imposed by law and require a formal action of the government's highest level of decision-making authority.

Assigned fund balance is a classification for governmental fund balance reporting that includes amounts that the governmental entity intends to use for specific purposes.

Unassigned fund balance is the residual classification used for reporting spendable fund balance in the General Fund that represents amounts that have not been committed or assigned or restricted.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

Deferred Inflows of Resources

Deferred Inflows of Resources on the Statement of Net Position consist of unearned revenues. The District reports unearned revenues on its Statement of Net Position and Fund Balance Sheet. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized. Unavailable revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**A. Deposits and Investments**

The District is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

| <b>Citizens Bank</b>       | Balance<br>Per Bank | Reconciled<br>Balance | Type     |
|----------------------------|---------------------|-----------------------|----------|
| <u>Name of Account</u>     | <u>06/30/19</u>     | <u>Balance</u>        |          |
| Operational                | \$ 306,125          | \$ 219,196            | Checking |
| Activity                   | 57,482              | 57,263                | Checking |
| Activity                   | 5,500               | 5,500                 | Savings  |
| Total Deposited            | <u>369,107</u>      | <u>\$ 281,959</u>     |          |
| Less: FDIC Coverage        | <u>(250,000)</u>    |                       |          |
| Uninsured Amount           | 119,107             |                       |          |
| 50% collateral requirement | 59,554              |                       |          |
| Pledged securities         | <u>300,000</u>      |                       |          |
| Over (Under) requirement   | <u>\$ 240,447</u>   |                       |          |

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The following securities are pledged:

| <u>Description</u> | <u>CUSIP #</u> | <u>Market Value</u> | <u>Maturity Date</u> | <u>Location</u> |
|--------------------|----------------|---------------------|----------------------|-----------------|
| FHLB               | 313376BR5      | \$ 300,000          | 12/13/2019           | TIB-Dallas, TX  |
|                    |                | <u>\$ 300,000</u>   |                      |                 |

| <u>First National</u>  | <u>Balance</u>  | <u>Reconciled</u> | <u>Type</u> |
|------------------------|-----------------|-------------------|-------------|
| <u>Name of Account</u> | <u>Per Bank</u> | <u>Balance</u>    |             |
|                        | <u>06/30/19</u> |                   |             |
| Athletics              | \$ 7,263        | \$ 6,258          | Checking    |
| Total Deposited        | 7,263           | <u>7,263</u>      |             |
| Less: FDIC Coverage    | (7,263)         |                   |             |
| Uninsured Amount       | <u>\$ 0</u>     |                   |             |

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

| <u>Depository Account</u>               | <u>Bank</u>       |
|---|-------------------|
|   | <u>Balance</u>    |
| Insured                                 | \$ 257,263        |
| Collateralized:                         |                   |
| Collateral held by the pledging bank in |                   |
| District's name                         | 119,107           |
| Uninsured and uncollateralized          | 0                 |
| Total Deposits                          | <u>\$ 376,370</u> |

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2019 none of the District's bank balance of \$376,370 was exposed to custodial credit risk.

**B. Receivables**

Following is a schedule of property taxes receivable as of June 30, 2019:

|                | <u>General</u>  | <u>Other</u>        | <u>Total</u>        |
|----------------|-----------------|---------------------|---------------------|
|                |                 | <u>Governmental</u> | <u>Governmental</u> |
|                |                 | <u>Funds</u>        | <u>Funds</u>        |
| Property Taxes |                 |                     |                     |
| Receivable:    |                 |                     |                     |
| Available      | \$ 27           | \$ 472              | \$ 499              |
| Unavailable    | 2,871           | 9,800               | 12,671              |
| Total Property |                 |                     |                     |
| Taxes          | <u>\$ 2,898</u> | <u>\$ 10,272</u>    | <u>\$ 13,170</u>    |

**C. Interfund Receivables, Payables and Transfers**

Interfund Balances year ending June 30, 2019 were as follows:

|             |                  |                              |                  |
|-------------|------------------|------------------------------|------------------|
| Loans from: |                  | Loans to:                    |                  |
| Operational | \$ 22,567        | Title I-24101                | \$ 22,567        |
| Operational | 16,331           | IDEA B Entitlement-24106     | 16,331           |
| Operational | 16,057           | NM Reads to Lead-27114       | 16,057           |
| Operational | 30,357           | Senate Bill Nine-State-31700 | 30,357           |
| Operational | 1,226            | Other Governmental Funds     | 1,226            |
|             | <u>\$ 86,538</u> |                              | <u>\$ 86,538</u> |

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Loans were made from the Operational fund to above funds to cover the cash balances while awaiting reimbursements from PED. All loans are expected to be repaid within one year.

**D. Capital Assets**

Capital Assets Balances and Activity for the Year Ended June 30, 2019, is as follows:

|  | Balance<br>6/30/18 | Additions    | Deletions   | Balance<br>6/30/19 |
|--|--------------------|--------------|-------------|--------------------|
| <b>Governmental Activities</b>             |                    |              |             |                    |
| Capital Assets not being Depreciated       |                    |              |             |                    |
| Land                                       | \$ 35,998          | \$ 0         | \$ 0        | \$ 35,998          |
| Total Capital Assets not being Depreciated | 35,998             | 0            | 0           | 35,998             |
| Capital Assets, being Depreciated          |                    |              |             |                    |
| Buildings & Improvements                   | 9,158,799          | 64,549       | (10,500)    | 9,212,848          |
| Equipment, Vehicles, Information           | 625,037            | 25,960       | (35,270)    | 615,727            |
| Total Capital Assets, being Depreciated    | 9,783,836          | 90,509       | (45,770)    | 9,828,575          |
| Total Capital Assets                       | 9,819,834          | 90,509       | (45,770)    | 9,864,573          |
| <b>Less Accumulated Depreciation</b>       |                    |              |             |                    |
| Buildings & Improvements                   | 4,300,124          | 210,085      | (10,500)    | 4,499,709          |
| Equipment, Vehicles, Information           | 373,389            | 28,047       | (15,872)    | 385,564            |
| Total Accumulated Depreciation             | 4,673,513          | 238,132      | (26,372)    | 4,885,273          |
| Capital Assets, net                        | \$ 5,146,321       | \$ (147,623) | \$ (19,398) | \$ 4,979,300       |

Depreciation expense was charged to governmental activities as follows:

|                             |            |
|-----------------------------|------------|
| Instruction                 | \$ 157,271 |
| Support Services            |            |
| Students                    | 6,524      |
| General Administration      | 3,749      |
| Operation of Plant          | 25,448     |
| Food Service                | 17,873     |
| Community Service           | 27,267     |
| Total Depreciation Expenses | \$ 238,132 |

**E. Long-Term Liabilities and Other Liabilities**

A summary of activity in the Long-Term Debt is as follows:

|                         | Balance<br>6/30/18 | Additions | Reductions | Balance<br>6/30/19 | Amounts<br>Due Within<br>One Year |
|-------------------------|--------------------|-----------|------------|--------------------|-----------------------------------|
| Governmental Activities |                    |           |            |                    |                                   |
| Bonds and Notes Payable |                    |           |            |                    |                                   |
| General Obligation      |                    |           |            |                    |                                   |
| Bonds                   | \$ 90,000          | \$ 0      | \$ 60,000  | \$ 30,000          | \$ 30,000                         |
| Total Bonds             | \$ 90,000          | \$ 0      | \$ 60,000  | \$ 30,000          | \$ 30,000                         |

Payments on the general obligation bonds are made by the Debt Service Funds.

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**General Obligation Bonds.**

The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

| <u>Series</u> | <u>Date of Issue</u> | <u>Original Amount</u> | <u>Interest Rate</u> | <u>Balance</u> |
|---------------|----------------------|------------------------|----------------------|----------------|
| 2009          | 04/15/09             | 1,500,000              | 4.2%-5.25%           | \$ 30,000      |
|               |                      |                        |                      | \$ 30,000      |

The annual requirements to amortize all of the general obligation bonds as of June 30, 2019, including interest payments are as follows:

|      | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|------------------|-----------------|--------------|
| 2020 | \$ 30,000        | \$ 1,545        | \$ 31,545    |
|      | \$ 30,000        | \$ 1,545        | \$ 31,545    |

There are no lines of credit, no assets are pledged as collateral. The State of New Mexico guarantees the debt meaning if the District defaults, the State of New Mexico is obligated to pay the debt.

**F. Commitments**

The District has no construction commitments on June 30, 2019.

**G. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

**H. Retirement Plan**

**Summary of Significant Accounting Policies**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the Pension Plan**

**Plan Description.** The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

The Plan is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

**Pension Benefit.** A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

**Summary of Plan Provisions for Retirement Eligibility.** For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- \*The member's age and earned service credit add up to the sum of 75 or more,
- \*The member is at least sixty-five years of age and has five or more years of earned service credit, or
- \*The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- \*The member's age and earned service credit add up to the sum of 80 or more,
- \*The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- \*The member has service credit totaling 30 years or more.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements.

- \*The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- \*The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits.
- \*The member's age is 67, and has earned 5 or more years of service credit.

**Forms of Payment.** The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.



**Benefit Options.** The Plan has three benefit options available.

Option A. Straight Life Benefit. The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

Option B. Joint 100% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Option C. Joint 50% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A. The member's increased monthly benefit commences in the month following the beneficiary's death.

**Disability Benefit.** An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member's Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member's FAS or (b) 2% of the member's FAS multiplied by total years of service credit projected to age 60.

**Cost of Living Adjustment (COLA).** All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

\*Tier 1 membership is comprised of employees who became members prior to July 1, 2010.

\*Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013.

\*Tier 3 membership is comprised of employees who became members on or after July 1, 2013.

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

**Refund of Contributions.** Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

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**Contributions.** For the fiscal year ended June 30, 2019 educational employers contributed to the Plan based on the following rate schedule.

| Fiscal Year | Date Range        | Wage Category | Member's Rate | Employer's Rate | Combined Rate |
|-------------|-------------------|---------------|---------------|-----------------|---------------|
| 2019        | 7-1-18 to 6-30-19 | Over \$20K    | 10.70%        | 13.90%          | 24.60%        |
| 2019        | 7-1-18 to 6-30-19 | \$20K or less | 7.90%         | 13.90%          | 21.80%        |
| 2018        | 7-1-17 to 6-30-18 | Over \$20K    | 10.70%        | 13.90%          | 24.60%        |
| 2018        | 7-1-17 to 6-30-18 | \$20K or less | 7.90%         | 13.90%          | 21.80%        |

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2019 and 2018, the District paid employee and employer contributions of \$129,237 and \$172,115 which equal the amount of the required contributions for each fiscal year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2019, the District reported a liability of \$5,365,369 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the District's portion was established as of the measurement date of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2018, actuarially determined. At June 30, 2018, the District's proportion was 0.04512%, which was an increase of 0.00403% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,001,096. At the June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ 3,916                             | 102,112                             |
| Net difference between projected and actual earnings on pension plan investments                                    | 11,878                               | 0                                   |
| Changes of assumptions  | 1,105,777                            | 0                                   |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 270,194                              | 73,738                              |
| District's contributions subsequent to the measurement date   | 172,115                              | 0                                   |
|   | <u>\$ 1,563,880</u>                  | <u>175,850</u>                      |

\$172,115 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June</u> |                     |
|------------------------|---------------------|
| 2019                   | \$ 709,558          |
| 2020                   | 462,737             |
| 2021                   | 43,464              |
| 2022                   | 156                 |
| Total                  | <u>\$ 1,215,915</u> |

**Actuarial Assumptions and Methods.** The total pension liability as of June 30, 2018 was based on an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                    |  |             |             |             |             |
|------------------------------------|--|-------------|-------------|-------------|-------------|
| Actuarial Cost Method              | Entry age normal   |             |             |             |             |
| Inflation                          | 2.50%  |             |             |             |             |
| Salary Increases                   | 3.25% composed of 2.50% inflation, plus 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.  |             |             |             |             |
| Investment Rate of Return          | 7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.  |             |             |             |             |
| Average of Remaining Service Lives | Fiscal year  | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|                                    | Service life in years  | 3.35        | 3.77        | 3.92        | 3.88        |
| Mortality                          | <p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p> |             |             |             |             |
| Retirement Age                     | Experience based table of rates based on age and service. Adopted by NMERB on April 21, 2017 in conjunction with the six-year experience study for the period ended June 30, 2016.   |             |             |             |             |

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|                           |  |
|---------------------------|--|
| Cost-of-living Increases  | 1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.  |
| Payroll Growth            | 3.00% per year (with no allowance for membership growth).  |
| Contribution Accumulation | The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future. |
| Disability Incidence      | Approved rates are applied to eligible members with at least 10 years of service.  |

Actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- \*Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- \*Application of key economic projections (inflation, real growth, dividends, etc.)
- \*Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return</u> |
|--------------------|--------------------------|--|
| Equities           | 33%                      |  |
| Fixed Income       | 26%                      |  |
| Alternatives       | 40%                      |  |
| Cash               | 1%                       |  |
|                    | <u>100%</u>              | 7.25%                                    |

**Discount rate.** A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is 0.21% less than the 5.90% discount rate used for June 30, 2017.

The June 30, 2018 single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.62%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the June 30, 2018 single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

**Sensitivity of the Net Pension Liability.** The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.69 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

|   | 1% Decrease<br>(4.69%) | Current<br>Discount Rate<br>(5.69%) | 1% Increase<br>(6.69%) |
|---|------------------------|-------------------------------------|------------------------|
| The Districts' proportionate share of the net pension liability | \$ 6,972,924           | \$ 5,365,369                        | \$ 4,053,703           |

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in separately issued NMERB'S financial reports. The reports can be found on NMERB's Web site at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

**I. Other Post-Employment Benefits (OPEB)**

**Retiree Health Care Plan**

The New Mexico Retiree Health Care Authority (the Authority) was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Retiree Health Care Fund (the Fund) under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

**Summary of Significant Accounting Policies.** *Postemployment Benefits Other Than Pensions (OPEB).* For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Plan Description.** The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees. Employees of the Authority also participate in the Fund.

**Benefits Provided.** The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

*Employees covered by benefit terms* – At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

|  |                |
|--|----------------|
| Plan membership                            |                |
| Current retirees and surviving spouses     | 51,205         |
| Inactive and eligible for deferred benefit | 11,471         |
| Current active members                     | 93,349         |
|  | <u>156,025</u> |
| Active membership                          |                |
| State general                              | 19,593         |
| State police and corrections               | 1,886          |
| Municipal general                          | 17,004         |
| Municipal police                           | 3,820          |
| Municipal FTRE                             | 2,290          |
| Educational Retirement Board               | 48,756         |
|  | <u>93,349</u>  |

**Contributions.** Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$34,776 for the year ended June 30, 2019.

#### **Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

|                             |   |
|-----------------------------|---|
| Valuation Date              | June 30, 2017   |
| Actuarial cost method       | Entry age normal, level percent of pay, calculated on individual employee basis                 |
| Asset valuation method      | Market value of assets  |
| Actuarial assumptions:      |   |
| Inflation                   | 2.50% for ERB members; 2.25% for PERA members   |
| Projected payroll increases | 3.25% to 12.50%, based on years of service, including inflation                                 |
| Investment rate of return   | 7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation |

State of New Mexico  
**San Jon Municipal Schools**  
Notes to the Financial Statements  
June 30, 2019

|                             |  |
|-----------------------------|--|
| Health care cost trend rate | 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs  |
| Mortality                   | ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality |

**Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The best estimates for the long-term expected rate of return is summarized as follows:

| <u>Asset Class</u>          | <u>Long-Term<br/>Rate of Return</u> |
|-----------------------------|-------------------------------------|
| U.S. core fixed income      | 2.1%                                |
| U.S. equity - large cap     | 7.1%                                |
| Non U.S. - emerging markets | 10.2%                               |
| Non U.S. - developed        | 7.8%                                |
| Private equity              | 11.8%                               |
| Credit and structured       | 5.3%                                |
| Real estate                 | 4.9%                                |
| Absolute return             | 4.1%                                |
| U.S. equity - small/mid cap | 7.1%                                |

**Discount Rate**

The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

**Sensitivity of the Net OPEB Liability**

The following presents the net OPEB liability, calculated using the discount rate of 4.08%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

|  | 1% Decrease<br>(3.08%) | Current<br>Discount Rate<br>(4.08%) | 1% Increase<br>(5.08%) |
|--|------------------------|-------------------------------------|------------------------|
| The Districts' proportionate share of the net OPEB liability | \$ 1,333,000           | \$ 1,284,069                        | \$ 918,916             |

The following presents the Net OPEB Liability of the District, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

|  | 1% Decrease | Current Trend<br>Rates | 1% Increase  |
|--|-------------|------------------------|--------------|
| The Districts' proportionate share of the net OPEB liability | \$ 931,102  | \$ 1,284,069           | \$ 1,234,986 |

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2019, the District reported a liability of \$1,284,069 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the School's proportion was 0.02953 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$20,281. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ 0                                 | 76,025                              |
| Net difference between projected and actual earnings on OPEB investments  | 0                                    | 16,025                              |
| Changes in assumptions  | 0                                    | 239,730                             |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 104,205                              | 0                                   |
| District's contributions subsequent to the measurement date   | 24,776                               | 0                                   |
|   | <u>\$ 128,981</u>                    | <u>331,780</u>                      |

Deferred outflows of resources totaling \$24,776 represent District's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:



| <u>Year ended June</u> |                     |
|------------------------|---------------------|
| 2019                   | \$ (62,221)         |
| 2020                   | (62,221)            |
| 2021                   | (62,221)            |
| 2022                   | (43,022)            |
| 2023                   | 2,110               |
| Total                  | <u>\$ (227,575)</u> |

**OPEB plan fiduciary net position.** Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2018.

**J. Reconciliation of Budgetary Basis to GAAP Basis Statements**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

The reconciliation of budgetary basis to GAAP basis statements are located at the bottom of each budget actual.

**K. Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The District, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the District to NMPSIA for coverage provided in the following areas:

- Workers Compensation
- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Contract School Bus Coverage; and
- Crime

The officials and certain employees of the District are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

**L. Tax Abatement**

Quay County, under the authority of the New Mexico County Industrial Revenue Bond Act, entered into a tax abatement agreement with FPL Energy New Mexico Wind, LLC (Wind Company) that effects the District. Property taxes of \$128,254 for the District were given up on the property owned by the Wind Company. In lieu of the property taxes, the Wind Company paid the District a \$86,000 PILOT, (payment in lieu of taxes).

**Supplemental Information Related to  
Major Funds**

State of New Mexico

**San Jon Municipal Schools**

Capital Projects Fund-Senate Bill Nine-State-31700

Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

|  | Budgeted Amounts |               | Actual<br>(Budgetary<br>Basis) | Variance<br>with Final<br>Budget-<br>Over (Under) |
|--|------------------|---------------|--------------------------------|---|
|  | Original         | Final         |                                |   |
| <b>Revenues</b>  |                  |               |                                |   |
| State & Local Grants   | \$ 43,107        | \$ 86,371     | \$ 6,121                       | \$ (80,250)                                       |
| Total Revenues   | <u>43,107</u>    | <u>86,371</u> | <u>6,121</u>                   | <u>(80,250)</u>                                   |
| <b>Expenditures</b>  |                  |               |                                |   |
| <b>Capital Outlay</b>  |                  |               |                                |   |
| Purchased Property Services                                  | 5,607            | 48,871        | 10,518                         | 38,353  |
| Fixed Assets   | <u>37,500</u>    | <u>37,500</u> | <u>25,960</u>                  | <u>11,540</u>                                     |
| Total Capital Outlay   | <u>43,107</u>    | <u>86,371</u> | <u>36,478</u>                  | <u>49,893</u>                                     |
| Total Expenditures   | <u>43,107</u>    | <u>86,371</u> | <u>36,478</u>                  | <u>49,893</u>                                     |
| Excess (Deficiency) of Revenues<br>Over Expenditures         | 0                | 0             | (30,357)                       | (30,357)  |
| Cash Balance Beginning of Year                               | <u>0</u>         | <u>0</u>      | <u>0</u>                       | <u>0</u>  |
| Cash Balance End of Year                                     | <u>\$ 0</u>      | <u>\$ 0</u>   | <u>\$ (30,357)</u>             | <u>\$ (30,357)</u>                                |
| <b>Reconciliation of Budgetary Basis to GAAP Basis</b>       |                  |               |                                |   |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis |                  |               | \$ (30,357)                    |   |
| Net Change in Due from Grantor                               |                  |               | <u>30,357</u>                  |   |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis |                  |               | <u>\$ 0</u>                    |   |

The notes to the financial statements are an integral part of this statement.

## **Required Supplemental Information**

State of New Mexico  
**San Jon Municipal Schools**  
Schedules of Required Supplementary Information for Pension Plan

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**Schedule of the District's Proportionate Share of the Net Pension Liability**

Last 10 Fiscal Years\*

|  | Fiscal Year<br>Measurement Date | 2015<br>2014 | 2016<br>2015 | 2017<br>2016 | 2018<br>2017 |
|--|---------------------------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability.  |                                 | 0.04370%     | 0.04065%     | 0.04354%     | 0.04109%     |
| District's proportionate share of the net pension liability.   |                                 | \$ 2,303,395 | \$ 2,633,009 | \$ 3,113,897 | \$ 4,566,524 |
| District's covered-employee payroll.   |                                 | \$ 1,155,446 | \$ 1,243,470 | \$ 1,170,073 | \$ 1,261,026 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll. |                                 | 199.35%      | 211.75%      | 266.13%      | 362.13%      |
| Plan fiduciary net position as a percentage of the total pension liability.                                  |                                 | 66.54%       | 63.97%       | 61.58%       | 52.95%       |
|  | Fiscal Year<br>Measurement Date | 2019<br>2018 |              |              |              |
| District's proportion of the net pension liability.  |                                 | 0.04512%     |              |              |              |
| District's proportionate share of the net pension liability.   |                                 | \$ 5,365,369 |              |              |              |
| District's covered-employee payroll.   |                                 | \$ 1,238,236 |              |              |              |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll. |                                 | 433.31%      |              |              |              |
| Plan fiduciary net position as a percentage of the total pension liability.                                  |                                 | 52.17%       |              |              |              |

\*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
Schedules of Required Supplementary Information for Pension Plan

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**Schedule of District's Contributions**

| Last 10 Fiscal Years*   | June 30,                       |                   |                   |                   |
|---|--------------------------------|-------------------|-------------------|-------------------|
|   | 2015                           | 2016              | 2017              | 2018              |
| Contractually required contribution.                                  | \$ 160,607                     | \$ 172,842        | \$ 162,640        | \$ 175,282        |
| Contributions in relation to the contractually required contribution. | <u>\$ 160,607</u>              | <u>\$ 172,841</u> | <u>\$ 162,640</u> | <u>\$ 175,282</u> |
| Contribution deficiency (excess).                                     | <u>\$ 0</u>                    | <u>\$ 0</u>       | <u>\$ 0</u>       | <u>\$ 0</u>       |
| Districts covered-employee payroll.                                   | \$ 1,155,446                   | \$ 1,243,470      | \$ 1,170,073      | \$ 1,261,026      |
| Contributions as a percentage of covered-employee payroll.            | 13.90%                         | 13.90%            | 13.90%            | 13.90%            |
| Last 10 Fiscal Years*   | <u>June 30,</u><br><u>2019</u> |                   |                   |                   |
| Contractually required contribution.                                  | \$ 172,115                     |                   |                   |                   |
| Contributions in relation to the contractually required contribution. | <u>172,115</u>                 |                   |                   |                   |
| Contribution deficiency (excess).                                     | <u>\$ 0</u>                    |                   |                   |                   |
| Districts covered-employee payroll.                                   | \$ 1,238,236                   |                   |                   |                   |
| Contributions as a percentage of covered-employee payroll.            | 13.90%                         |                   |                   |                   |

\**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

The notes to the financial statements are an integral part of this statement.

**Notes to Required Supplementary Information**

**Changes of benefit terms and assumptions.**

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

Changes in assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The notes to the financial statements are an integral part of this statement.



**San Jon Municipal Schools**

Schedules of Required Supplementary Information and Notes for OPEB

**Schedule of the District's Proportionate Share of the Net Other Post Employee Benefits (OPEB)**

**Liability**

Last 10 Fiscal Years\*

|   | Fiscal Year<br>Measurement Date | 2018<br>2017 | 2019<br>2018 |
|---|---------------------------------|--------------|--------------|
| District's proportion of the net OPEB liability.  |                                 | 0.02726%     | 0.02953%     |
| District's proportionate share of the net OPEB liability.   |                                 | \$ 1,235,334 | \$ 1,284,069 |
| District's covered-employee payroll.  |                                 | \$ 1,261,026 | \$ 1,238,236 |
| District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll. |                                 | 97.96%       | 103.70%      |
| Plan fiduciary net OPEB as a percentage of the total OPEB liability.                                      |                                 | 11.34%       | 13.14%       |

\*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**Schedule of District's Contributions**

Last 10 Fiscal Years\*

|   | June 30,  |           |
|---|-----------|-----------|
|   | 2018      | 2019      |
| Contractually required contribution.                                  | \$ 25,130 | \$ 24,776 |
| Contributions in relation to the contractually required contribution. | 25,130    | 24,776    |
| Contribution deficiency (excess).                                     | \$ 0      | \$ 0      |
| District's covered-employee payroll.                                  | 1,261,026 | 1,238,236 |
| Contributions as a percentage of covered-employee payroll.            | 2.00%     | 2.00%     |

\*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**Notes to Required Supplementary Information**

**Changes of benefit terms and assumptions.** There were no changes in benefit terms from the previous valuation. A description of these benefits may be found at [www.nmrhca.org](http://www.nmrhca.org) by clicking on Retirees. Assumptions are included in the notes to the financial statements Note H.

The notes to the financial statements are an integral part of this statement.

**Supplemental Information Related to  
Nonmajor Funds**

**Nonmajor Special Revenue Funds**

**Food Services (21000).** To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

**Athletics (22000).** To account for revenue and expenditures associated with the District's budgeted athletic activities. (NMAC 6.20.2).

**IDEA Preschool (24109).** To account for a program funded by a Federal grant to assist the District in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the Individuals with Disabilities Education Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, 101-476, and 102-119. The fund was created by the authority of federal grant provisions.

**IDEA B Results Plan (24132).** To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

**Teacher/Principal Training and Recruiting (24154).** To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110).

**Rural Education Achievement Program (REAP) (25233).** Part B of Title VI of the reauthorized ESEA contains Rural Education Achievement Program (REAP) initiatives that are designed to help rural districts that may lack the personnel and resources to compete effectively for Federal competitive grants and that often receive grant allocations in amounts that are too small to be effective in meeting their intended purposes.

**REC (26107).** To account for revenues and expenditure received from a grant funded through the Regional Education Cooperative #6 to provide for the education of preschool students. The fund was created by a memorandum of understanding.

**GO Student Library (27107).** To account for revenues and expenditures from a state grant to provide for public school and juvenile detention libraries. The funding made available to update and expand library collections in order to circulate and provide access of materials to students and teachers. Funding provided by the State of New Mexico.

**Wind Farm Projects (29134).** To account for funds received from a wind farm in lieu of property tax revenue. The fund was created by definition.

**Nonmajor Capital Projects Funds**

**Senate Bill-Nine-Local (31701).** The revenues are derived from a district tax levy. Expenditures are restricted to capital improvements, maintenance of the facilities and supplies.

**Nonmajor Debt Service Fund**

**Debt Service Fund (41000).** To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

State of New Mexico  
**San Jon Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2019

|  | Special Revenue Funds |                    |                            |
|--|-----------------------|--------------------|----------------------------|
|  | Food Service<br>21000 | Athletics<br>22000 | IDEA<br>Preschool<br>24109 |
| <b>Assets</b>  |                       |                    |                            |
| Cash and Cash Equivalents                                    | \$ 5,038              | \$ 6,258           | \$ 0                       |
| Receivables  |                       |                    |                            |
| Taxes  | 0                     | 0                  | 0                          |
| Due From Grantor   | 2,815                 | 0                  | 0                          |
| Other  | 411                   | 0                  | 0                          |
| Inventory  | 1,916                 | 0                  | 0                          |
| Total Assets   | <u>\$ 10,180</u>      | <u>\$ 6,258</u>    | <u>\$ 0</u>                |
| <b>Liabilities and Fund Balance</b>                          |                       |                    |                            |
| <b>Liabilities</b>   |                       |                    |                            |
| Accounts Payable   | \$ 0                  | \$ 0               | \$ 0                       |
| Interfund Balances   | 0                     | 0                  | 0                          |
| Total Liabilities  | <u>0</u>              | <u>0</u>           | <u>0</u>                   |
| <b>Deferred Inflows of Resources</b>                         |                       |                    |                            |
| Unavailable Revenue  | 0                     | 0                  | 0                          |
| Total Deferred Inflows of Resources                          | <u>0</u>              | <u>0</u>           | <u>0</u>                   |
| <b>Fund Balance</b>  |                       |                    |                            |
| Nonspendable-Inventory                                       | 1,916                 | 0                  | 0                          |
| <b>Restricted for:</b>                                       |                       |                    |                            |
| Special Revenue Funds  | 8,264                 | 6,258              | 0                          |
| Capital Projects   | 0                     | 0                  | 0                          |
| Debt Service   | 0                     | 0                  | 0                          |
| Total Fund Balances  | <u>10,180</u>         | <u>6,258</u>       | <u>0</u>                   |
| <b>Total Liabilities, Deferred Inflows and Fund Balances</b> | <u>\$ 10,180</u>      | <u>\$ 6,258</u>    | <u>\$ 0</u>                |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2019

|  | Special Revenue Funds           |                                     |               |
|--|---------------------------------|-------------------------------------|---------------|
|  |                                 | Teacher/Principal                   |               |
|  | IDEA B<br>Results Plan<br>24132 | Training and<br>Recruiting<br>24154 | REAP<br>25233 |
| <b>Assets</b>  |                                 |                                     |               |
| Cash and Cash Equivalents                                    | \$ 0                            | \$ 0                                | \$ 0          |
| Receivables  |                                 |                                     |               |
| Taxes  | 0                               | 0                                   | 0             |
| Due From Grantor   | 1,226                           | 0                                   | 0             |
| Other  | 0                               | 0                                   | 0             |
| Inventory  | 0                               | 0                                   | 0             |
| Total Assets   | <u>\$ 1,226</u>                 | <u>\$ 0</u>                         | <u>\$ 0</u>   |
| <b>Liabilities and Fund Balance</b>                          |                                 |                                     |               |
| <b>Liabilities</b>   |                                 |                                     |               |
| Accounts Payable   | \$ 0                            | \$ 0                                | \$ 0          |
| Interfund Balances   | 1,226                           | 0                                   | 0             |
| Total Liabilities  | <u>1,226</u>                    | <u>0</u>                            | <u>0</u>      |
| <b>Deferred Inflows of Resources</b>                         |                                 |                                     |               |
| Unavailable Revenue  | 0                               | 0                                   | 0             |
| Total Deferred Inflows of Resources                          | <u>0</u>                        | <u>0</u>                            | <u>0</u>      |
| <b>Fund Balance</b>  |                                 |                                     |               |
| Nonspendable-Inventory                                       | 0                               | 0                                   | 0             |
| <b>Restricted for:</b>                                       |                                 |                                     |               |
| Special Revenue Funds  | 0                               | 0                                   | 0             |
| Capital Projects   | 0                               | 0                                   | 0             |
| Debt Service   | 0                               | 0                                   | 0             |
| Total Fund Balances  | <u>0</u>                        | <u>0</u>                            | <u>0</u>      |
| <b>Total Liabilities, Deferred Inflows and Fund Balances</b> | <u>\$ 1,226</u>                 | <u>\$ 0</u>                         | <u>\$ 0</u>   |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2019

|  | Special Revenue Funds |                                |                                |
|--|-----------------------|--------------------------------|--------------------------------|
|  | REC<br>26107          | GO Student<br>Library<br>27107 | Wind Farm<br>Projects<br>29134 |
| <b>Assets</b>  |                       |                                |                                |
| Cash and Cash Equivalents                                    | \$ 0                  | \$ 0                           | \$ 18,570                      |
| Receivables  |                       |                                |                                |
| Taxes  | 0                     | 0                              | 0                              |
| Due From Grantor   | 0                     | 0                              | 0                              |
| Other  | 0                     | 0                              | 0                              |
| Inventory  | 0                     | 0                              | 0                              |
| Total Assets   | <u>\$ 0</u>           | <u>\$ 0</u>                    | <u>\$ 18,570</u>               |
| <b>Liabilities and Fund Balance</b>                          |                       |                                |                                |
| <b>Liabilities</b>   |                       |                                |                                |
| Accounts Payable   | \$ 0                  | \$ 0                           | \$ 0                           |
| Interfund Balances   | 0                     | 0                              | 0                              |
| Total Liabilities  | <u>0</u>              | <u>0</u>                       | <u>0</u>                       |
| <b>Deferred Inflows of Resources</b>                         |                       |                                |                                |
| Unavailable Revenue  | 0                     | 0                              | 0                              |
| Total Deferred Inflows of Resources                          | <u>0</u>              | <u>0</u>                       | <u>0</u>                       |
| <b>Fund Balance</b>  |                       |                                |                                |
| Nonspendable-Inventory                                       | 0                     | 0                              | 0                              |
| <b>Restricted for:</b>                                       |                       |                                |                                |
| Special Revenue Funds  | 0                     | 0                              | 18,570                         |
| Capital Projects   | 0                     | 0                              | 0                              |
| Debt Service   | 0                     | 0                              | 0                              |
| Total Fund Balances  | <u>0</u>              | <u>0</u>                       | <u>18,570</u>                  |
| <b>Total Liabilities, Deferred Inflows and Fund Balances</b> | <u>\$ 0</u>           | <u>\$ 0</u>                    | <u>\$ 18,570</u>               |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 Nonmajor Funds  
 Combining Balance Sheet  
 June 30, 2019

|  | <u>Capital<br/>Projects Fund</u>            |  | <u>Total</u>     |
|--|---|--|------------------|
|  | <u>Senate Bill<br/>Nine-Local<br/>31701</u> | <u>Debt<br/>Service Fund<br/>41000</u> |                  |
| <b>Assets</b>  |   |  |                  |
| Cash and Cash Equivalents  | \$ 8,993                                    | \$ 10,528                              | \$ 49,387        |
| Receivables  |   |  |                  |
| Taxes  | 3,508                                       | 6,764                                  | 10,272           |
| Due From Grantor   | 0   | 0                                      | 4,041            |
| Other  | 0   | 0                                      | 411              |
| Inventory  | 0   | 0                                      | 1,916            |
| Total Assets   | <u>\$ 12,501</u>                            | <u>\$ 17,292</u>                       | <u>\$ 66,027</u> |
| <b>Liabilities and Fund Balance</b>                              |   |  |                  |
| <b>Liabilities</b>   |   |  |                  |
| Accounts Payable   | \$ 0  | \$ 0                                   | \$ 0             |
| Interfund Balances   | 0   | 0                                      | 1,226            |
| Total Liabilities  | <u>0</u>                                    | <u>0</u>                               | <u>1,226</u>     |
| <b>Deferred Inflows of Resources</b>                             |   |  |                  |
| Unavailable Revenue  | <u>3,369</u>                                | <u>6,431</u>                           | <u>9,800</u>     |
| Total Deferred Inflows of Resources                              | <u>3,369</u>                                | <u>6,431</u>                           | <u>9,800</u>     |
| <b>Fund Balance</b>  |   |  |                  |
| Nonspendable-Inventory   | 0   | 0                                      | 1,916            |
| <b>Restricted for:</b>   |   |  |                  |
| Special Revenue Funds  | 0   | 0                                      | 33,092           |
| Capital Projects   | 9,132                                       | 0                                      | 9,132            |
| Debt Service   | 0   | 10,861                                 | 10,861           |
| Total Fund Balances  | <u>9,132</u>                                | <u>10,861</u>                          | <u>55,001</u>    |
| <b>Total Liabilities, Deferred Inflows and<br/>Fund Balances</b> | <u>\$ 12,501</u>                            | <u>\$ 17,292</u>                       | <u>\$ 66,027</u> |

The notes to the financial statements are an integral part of this statement.



State of New Mexico  
**San Jon Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 For the Year Ended June 30, 2019

|  | Special Revenue Funds |                    |                            |
|--|-----------------------|--------------------|----------------------------|
|  | Food Service<br>21000 | Athletics<br>22000 | IDEA<br>Preschool<br>24109 |
| <b>Revenues</b>                                      |                       |                    |                            |
| Property Taxes                                       | \$ 0                  | \$ 0               | \$ 0                       |
| Fees   | 15,014                | 8,606              | 0                          |
| State & Local Grants                                 | 0                     | 0                  | 0                          |
| Federal Grants                                       | 53,457                | 0                  | 3,622                      |
| Total Revenues                                       | <u>68,471</u>         | <u>8,606</u>       | <u>3,622</u>               |
| <b>Expenditures</b>                                  |                       |                    |                            |
| Current  |                       |                    |                            |
| Instruction  | 0                     | 7,341              | 0                          |
| Support Services                                     |                       |                    |                            |
| Students   | 0                     | 0                  | 3,622                      |
| General Administration                               | 0                     | 0                  | 0                          |
| Operation of Plant                                   | 0                     | 0                  | 0                          |
| Food Services  | 65,152                | 0                  | 0                          |
| Capital Outlay                                       | 0                     | 0                  | 0                          |
| Debt Service   |                       |                    |                            |
| Principal  | 0                     | 0                  | 0                          |
| Interest   | 0                     | 0                  | 0                          |
| Total Expenditures                                   | <u>65,152</u>         | <u>7,341</u>       | <u>3,622</u>               |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 3,319                 | 1,265              | 0                          |
| Fund Balances at Beginning of Year                   | <u>6,861</u>          | <u>4,993</u>       | <u>0</u>                   |
| Fund Balance End of Year                             | <u>\$ 10,180</u>      | <u>\$ 6,258</u>    | <u>\$ 0</u>                |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 For the Year Ended June 30, 2019

|  | Special Revenue Funds           |                                     |               |
|--|---------------------------------|-------------------------------------|---------------|
|  | Teacher/Principal               |                                     |               |
|  | IDEA B<br>Results Plan<br>24132 | Training and<br>Recruiting<br>24154 | REAP<br>25233 |
| <b>Revenues</b>                                      |                                 |                                     |               |
| Property Taxes                                       | \$ 0                            | \$ 0                                | \$ 0          |
| Fees   | 0                               | 0                                   | 0             |
| State & Local Grants                                 | 0                               | 0                                   | 0             |
| Federal Grants                                       | 17,854                          | 0                                   | 20,734        |
| Total Revenues                                       | <u>17,854</u>                   | <u>0</u>                            | <u>20,734</u> |
| <b>Expenditures</b>                                  |                                 |                                     |               |
| Current  |                                 |                                     |               |
| Instruction  | 17,854                          | 0                                   | 11,734        |
| Support Services                                     |                                 |                                     |               |
| Students   | 0                               | 0                                   | 0             |
| General Administration                               | 0                               | 0                                   | 0             |
| Operation of Plant                                   | 0                               | 0                                   | 9,000         |
| Food Services  | 0                               | 0                                   | 0             |
| Capital Outlay                                       | 0                               | 0                                   | 0             |
| Debt Service   |                                 |                                     |               |
| Principal  | 0                               | 0                                   | 0             |
| Interest   | 0                               | 0                                   | 0             |
| Total Expenditures                                   | <u>17,854</u>                   | <u>0</u>                            | <u>20,734</u> |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 0                               | 0                                   | 0             |
| Fund Balances at Beginning of Year                   | <u>0</u>                        | <u>0</u>                            | <u>0</u>      |
| Fund Balance End of Year                             | <u>\$ 0</u>                     | <u>\$ 0</u>                         | <u>\$ 0</u>   |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 For the Year Ended June 30, 2019

|  | Special Revenue Funds |                                |                                |
|--|-----------------------|--------------------------------|--------------------------------|
|  | REC<br>26107          | GO Student<br>Library<br>27107 | Wind Farm<br>Projects<br>29134 |
| Revenues   |                       |                                |                                |
| Property Taxes                                       | \$ 0                  | \$ 0                           | \$ 86,000                      |
| Fees   | 0                     | 0                              | 0                              |
| State & Local Grants                                 | 31,521                | 0                              | 0                              |
| Federal Grants                                       | 0                     | 0                              | 0                              |
| Total Revenues                                       | <u>31,521</u>         | <u>0</u>                       | <u>86,000</u>                  |
| Expenditures   |                       |                                |                                |
| Current  |                       |                                |                                |
| Instruction  | 31,521                | 0                              | 65,324                         |
| Support Services                                     |                       |                                |                                |
| Students   | 0                     | 0                              | 0                              |
| General Administration                               | 0                     | 0                              | 0                              |
| Operation of Plant                                   | 0                     | 0                              | 0                              |
| Food Services  | 0                     | 0                              | 0                              |
| Capital Outlay                                       | 0                     | 0                              | 64,549                         |
| Debt Service   |                       |                                |                                |
| Principal  | 0                     | 0                              | 0                              |
| Interest   | 0                     | 0                              | 0                              |
| Total Expenditures                                   | <u>31,521</u>         | <u>0</u>                       | <u>129,873</u>                 |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 0                     | 0                              | (43,873)                       |
| Fund Balances at Beginning of Year                   | <u>0</u>              | <u>0</u>                       | <u>62,443</u>                  |
| Fund Balance End of Year                             | <u>\$ 0</u>           | <u>\$ 0</u>                    | <u>\$ 18,570</u>               |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 For the Year Ended June 30, 2019

|  | Capital<br>Projects Fund           |                               | Total            |
|--|------------------------------------|-------------------------------|------------------|
|  | Senate Bill<br>Nine-Local<br>31701 | Debt<br>Service Fund<br>41000 |                  |
| Revenues   |                                    |                               |                  |
| Property Taxes                                       | \$ 29,857                          | \$ 61,201                     | \$ 177,058       |
| Fees   | 0                                  | 0                             | 23,620           |
| State & Local Grants                                 | 0                                  | 0                             | 31,521           |
| Federal Grants                                       | 0                                  | 0                             | 95,667           |
| Total Revenues                                       | <u>29,857</u>                      | <u>61,201</u>                 | <u>327,866</u>   |
| Expenditures   |                                    |                               |                  |
| Current  |                                    |                               |                  |
| Instruction  | 0                                  | 0                             | 133,774          |
| Support Services                                     |                                    |                               |                  |
| Students   | 0                                  | 0                             | 3,622            |
| General Administration                               | 298                                | 611                           | 909              |
| Operation of Plant                                   | 35,342                             | 0                             | 44,342           |
| Food Services  | 0                                  | 0                             | 65,152           |
| Capital Outlay                                       | 0                                  | 0                             | 64,549           |
| Debt Service   |                                    |                               |                  |
| Principal  | 0                                  | 60,000                        | 60,000           |
| Interest   | 0                                  | 4,575                         | 4,575            |
| Total Expenditures                                   | <u>35,640</u>                      | <u>65,186</u>                 | <u>376,923</u>   |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (5,783)                            | (3,985)                       | (49,057)         |
| Fund Balances at Beginning of Year                   | <u>14,915</u>                      | <u>14,846</u>                 | <u>104,058</u>   |
| Fund Balance End of Year                             | <u>\$ 9,132</u>                    | <u>\$ 10,861</u>              | <u>\$ 55,001</u> |

The notes to the financial statements are an integral part of this statement.

## Other Supplemental Information

**Fiduciary Fund**

**Activity Trust Fund**

To account for funds of various student groups that are custodial in nature.

State of New Mexico  
**San Jon Municipal Schools**  
Agency Funds - Activity  
Schedule of Changes in Fiduciary Assets and Liabilities-Agency Funds  
For the Year Ended June 30, 2019

|                          | Balance<br>06/30/17 | Additions        | Deductions       | Balance<br>06/30/18 |
|--------------------------|---------------------|------------------|------------------|---------------------|
| 23015 Class of 2015      | \$ 217              | \$ 0             | \$ 164           | \$ 53               |
| 23016 Class of 2016      | 300                 | 0                | 70               | 230                 |
| 23017 Class of 2017      | 300                 | 0                | 0                | 300                 |
| 23018 Class of 2018      | 462                 | 0                | 0                | 462                 |
| 23019 Class of 2019      | 2,704               | 1,233            | 3,168            | 770                 |
| 23020 Class of 2020      | 2,813               | 8,974            | 4,195            | 7,593               |
| 23021 Class of 2021      | 2,669               | 903              | 0                | 3,572               |
| 23022 Class of 2022      | 1,511               | 208              | 0                | 1,719               |
| 23023 Class of 2023      | 3,255               | 438              | 178              | 3,516               |
| 23024 Class of 2024      | 2,263               | 398              | 0                | 2,661               |
| 23025 Class of 2025      | 3,146               | 260              | 0                | 3,406               |
| 23026 Class of 2026      | 1,047               | 270              | 25               | 1,293               |
| 23027 Class of 2027      | 3,951               | 635              | 0                | 4,586               |
| 23028 Class of 2028      | 355                 | 205              | 0                | 561                 |
| 23029 Class of 2029      | 1,421               | 1,153            | 756              | 1,818               |
| 23030 Class of 2030      | 21                  | 363              | 0                | 384                 |
| 23031 Class of 2031      | 0                   | 102              | 35               | 68                  |
| 23111 General Activity   | 2,235               | 11,552           | 9,659            | 4,129               |
| 23112 Annual             | 165                 | 2,500            | 0                | 2,665               |
| 23127 Cheerleaders       | 352                 | 0                | 0                | 352                 |
| 23128 Library            | 128                 | 2,037            | 2,037            | 128                 |
| 23131 Special Fund       | 2,915               | 1,112            | 207              | 3,821               |
| 23132 Student Council    | 1,939               | 3,049            | 2,443            | 2,545               |
| 23133 Concessions        | 3,200               | 0                | 452              | 2,748               |
| 23134 FFA                | 3,442               | 17,344           | 15,626           | 5,160               |
| 23136 Science            | 66                  | 0                | 0                | 66                  |
| 23137 Basketball         | 3                   | 0                | 0                | 3                   |
| 23138 Football           | 117                 | 0                | 0                | 117                 |
| 23139 Volleyball         | 2,655               | 0                | 118              | 2,537               |
| All Activities           | 5,500               | 0                | 0                | 5,500               |
|                          | <u>\$ 49,153</u>    | <u>\$ 52,740</u> | <u>\$ 39,130</u> | <u>\$ 62,763</u>    |
| <b>Liabilities</b>       |                     |                  |                  |                     |
| Deposits Held for Others | \$ 49,153           | \$ 52,740        | \$ 39,130        | \$ 62,763           |
| Total Liabilities        | <u>\$ 49,153</u>    | <u>\$ 52,740</u> | <u>\$ 39,130</u> | <u>\$ 62,763</u>    |

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**San Jon Municipal Schools**  
Cash Reconciliations - All Funds  
For the Year Ended June 30, 2019

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|                         |       | Beginning<br>Cash<br>Balance<br>6/30/18 | Revenue             | Expenditures        | Ending<br>Cash<br>Balance<br>6/30/19 |
|-------------------------|-------|---|---------------------|---------------------|--------------------------------------|
| Operational             | 11000 | \$ 208,342                              | \$ 1,983,801        | \$ 1,937,386        | \$ 254,757                           |
| Teacherage              | 12000 | 4,964                                   | 15,350              | 12,839              | 7,475                                |
| Transportation          | 13000 | 0                                       | 160,122             | 160,122             | 0                                    |
| Instructional Materials | 14000 | 452                                     | 4,662               | 4,741               | 373                                  |
| Food Services           | 21000 | 4,945                                   | 61,191              | 61,098              | 5,038                                |
| Athletics               | 22000 | 4,993                                   | 8,606               | 7,341               | 6,258                                |
| Agency Funds            | 23000 | 49,153                                  | 52,740              | 39,130              | 62,763                               |
| Federal Flowthrough     | 24000 | (25,614)                                | 88,777              | 103,288             | (40,125)                             |
| Federal Direct          | 25000 | 0                                       | 20,734              | 20,734              | 0                                    |
| Local Grants            | 26000 | 0                                       | 31,521              | 31,521              | 0                                    |
| State Grants            | 27000 | (31,174)                                | 70,171              | 55,054              | (16,057)                             |
| Local & State Grants    | 29000 | 62,442                                  | 86,000              | 129,873             | 18,569                               |
| Senate Bill Nine-State  | 31700 | 0                                       | 6,121               | 36,478              | (30,357)                             |
| Senate Bill Nine-Local  | 31701 | 16,001                                  | 29,803              | 36,811              | 8,993                                |
| Debt Service            | 41000 | 14,652                                  | 61,063              | 65,186              | 10,529                               |
| Total                   |       | <u>\$ 309,157</u>                       | <u>\$ 2,680,662</u> | <u>\$ 2,701,602</u> | <u>\$ 288,217</u>                    |

The notes to the financial statements are an integral part



De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

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Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
In Accordance with *Government Auditing Standards*

Independent Auditor's Report

Mr. Brian S. Colón  
State Auditor of the State of New Mexico  
Board Members of the San Jon Municipal Schools

Mr. Colón and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general and major special revenue funds, of San Jon Municipal Schools (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses; 2019-001.

### The District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico  
August 28, 2019

**Prior Year Audit Findings**

None

**Summary of Audit Results**

Type of auditor's report issued    Unmodified

Internal control over financial reporting:

• Material weakness (es) identified?    N/A

• Significant deficiency(ies) identified that are not considered to be material weaknesses?    N/A

Noncompliance material to financial statements noted?    N/A

**Current Year Audit Findings**

**2019-001 Certified Chief Procurement Officers-Other Non-compliance**

**Condition**

The District had no CPO from July 1, 2018 till April 10, 2019.

**Criteria**

NMAC 1.4.1.94 (D) - Chief procurement officer duties, responsibilities and obligations. On and after July 1, 2015, only certified chief procurement officers may: (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code; (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and (3) approve procurement pursuant to the Procurement Code; (4) provided that, persons using procurement cards may continue to issue purchase orders and authorize small purchases.

**Cause**

The District has only one CPO. The CPO left the District on June 30, 2018.

**Effect**

Not having a certified chief procurement officer identified and registered in conformance with Section 13-1-95.2 NMSA 1978, pursuant to Section 13-1-97 NMSA 1978, procurement acts by that state agency or local public body may be suspended at the discretion of the state purchasing agent.

**Recommendation**

The District should utilized the REC's CPO until a certificate can be obtained.

**Response**

The new CPO had scheduling conflicts and could not obtain her CPO certificate until April 10, 2019.

**Responsible Position:** Superintendent

**Timeframe:** Corrected.

**Financial Statement Preparation**

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

**Exit Conference**

An exit conference was held on August 12, 2019. Those present were Janet Gladu-Superintendent, Franklin Gibson-Board Member, Dale Bone-Board Member, Julie Lafferty-Current Business Manager, JaTawn Wright-Parent, Starla Sharp-Auditor and De'Aun Willoughby, CPA.